Government of Canada / Gouvernement du Canada **Department of Finance Canada** Canada

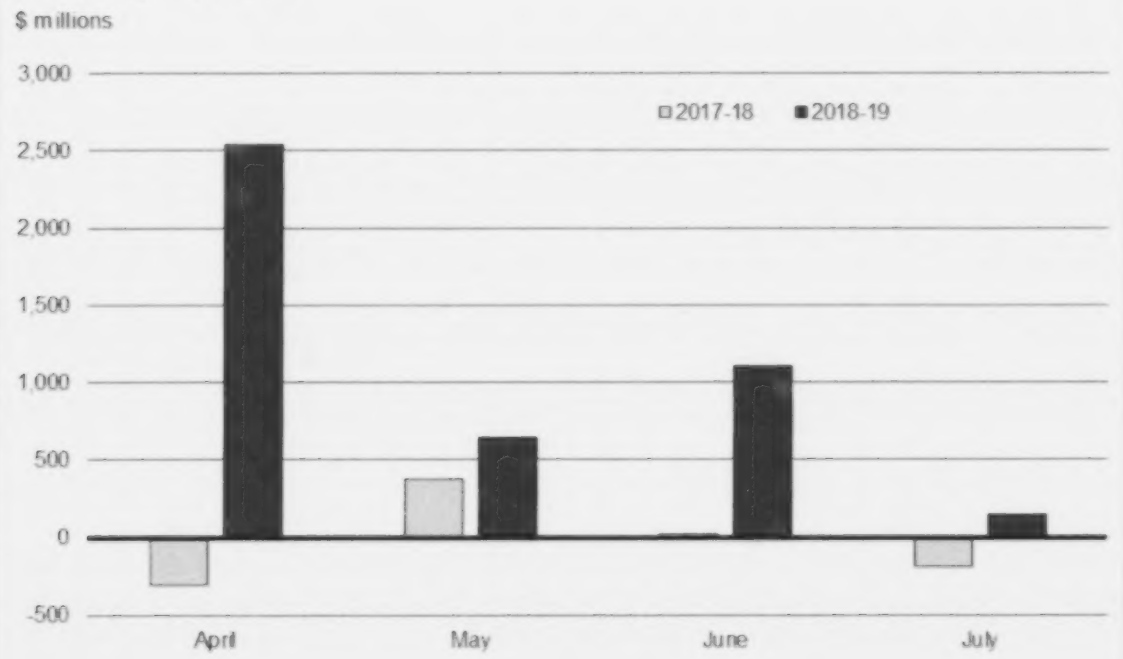
The Fiscal Monitor
A publication of the Department of Finance

Highlights

July 2018

There was a budgetary surplus of $0.1 billion in July 2018, compared to a deficit of $0.2 billion in July 2017. Revenues increased by $1.1 billion, or 4.0 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by $0.6 billion, or 2.4 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by $0.1 billion, or 7.7 per cent, reflecting in part a higher average effective interest rate on the stock of Government of Canada treasury bills.

Monthly budgetary balance



April to July 2018

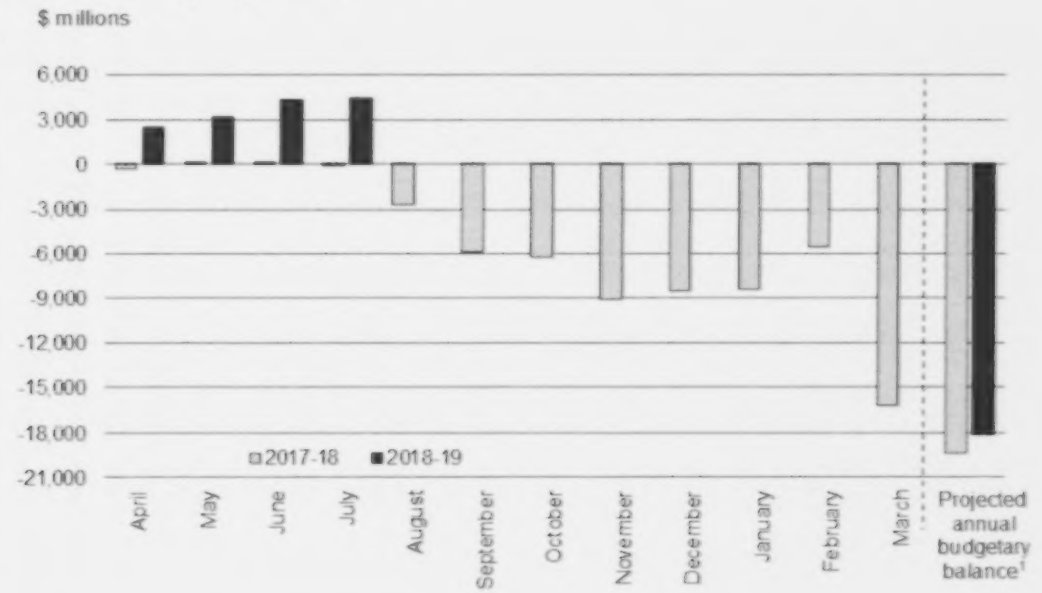
For the April to July 2018 period of the 2018–19 fiscal year, the Government posted a budgetary surplus of $4.4 billion, compared to a deficit of $0.1 billion reported in the same period of 2017–18. Revenues were up $7.6 billion, or 7.5 per cent, reflecting increases in tax revenues, EI premium

revenues and other revenues. Program expenses were up $2.2 billion, or 2.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were up $0.8 billion, or 10.3 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

The financial results for the first four months of the fiscal year provide limited information with respect to the outlook for the year as a whole. That being said, the financial results through the April to July 2018 period are broadly in line with the fiscal projection for 2018–19 presented in the budget as expenses are expected to be concentrated later in the fiscal year, consistent with prior year trends.

An update of the economic and fiscal outlook will be provided in the *Fall Economic Statement*.

Year-to-date budgetary balance



[1] Source: Budget 2018. 2018-19 projection includes an adjustment for risk of $3 billion.

Table 1
Summary statement of transactions
($ millions)

	July		April to July	
	2017	**2018**	**2017–18**	**2018–19**
Budgetary transactions				
Revenues	26,058	27,112	101,328	108,886
Expenses				
Program expenses	-24,306	-24,878	-93,374	-95,566
Public debt charges	-1,945	-2,094	-8,063	-8,894
Budgetary balance (deficit/surplus)	-193	140	-109	4,426
Non-budgetary transactions	4,744	775	-11,717	-10,406
Financial source/requirement	4,551	915	-11,826	-5,980
Net change in financing activities	-5,322	6,845	16,623	12,753
Net change in cash balances	-771	7,760	4,797	6,773
Cash balance at end of period			41,698	44,450

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Revenues

Revenues in July 2018 totalled $27.1 billion, up $1.1 billion, or 4.0 per cent, from July 2017.

- Tax revenues increased by $0.7 billion, or 3.3 per cent, due mainly to growth in Goods and Services Tax (GST) revenues.
- EI premium revenues were up $0.1 billion, or 3.1 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and

services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.3 billion, or 11.8 per cent.

For the April to July period of 2018–19, revenues were $108.9 billion, up $7.6 billion, or 7.5 per cent, from the same period the previous year.

- Tax revenues increased by $6.9 billion, or 8.2 per cent, driven largely by growth in income tax revenues and GST revenues.
- EI premium revenues were up $0.4 billion, or 4.9 per cent.
- Other revenues were up $0.3 billion, or 3.0 per cent.

Table 2
Revenues

	July			April to July		
	2017	**2018**	**Change**	**2017–18**	**2018–19**	**Change**
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal	12,762	12,433	-2.6	47,786	50,176	5.0
Corporate	3,417	3,448	0.9	14,487	17,090	18.0
Non-resident	850	934	9.9	2,461	2,997	21.8
Total income tax revenues	17,029	16,815	-1.3	64,734	70,263	8.5
Other taxes and duties						
Goods and Services Tax	3,570	4,359	22.1	13,408	14,492	8.1
Energy taxes	472	513	8.7	1,701	1,833	7.8
Customs import duties	550	620	12.7	1,933	1,934	0.1
Other excise taxes and duties	506	554	9.5	1,970	2,102	6.7
Total other taxes and duties	5,098	6,046	18.6	19,012	20,361	7.1

Total tax revenues	22,127	22,861	3.3	83,746	90,624	8.2
Employment Insurance premiums	1,651	1,703	3.1	7,937	8,329	4.9
Other revenues	2,280	2,548	11.8	9,645	9,933	3.0
Total revenues	26,058	27,112	4.0	101,328	108,886	7.5

Note: Totals may not add due to rounding.

Expenses

Program expenses in July 2018 were $24.9 billion, up $0.6 billion, or 2.4 per cent, from July 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up $0.3 billion, or 3.4 per cent. Elderly benefits increased by $0.2 billion, or 5.8 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by $34 million, or 2.0 per cent. Children's benefits were up $0.1 billion, or 2.9 per cent.
- Major transfers to other levels of government were up $0.2 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up $0.1 billion, or 0.6 per cent. Within direct program expenses:
    - Other transfer payments increased by $22 million, or 0.8 per cent.
    - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by $38 million, or 0.5 per cent.

Public debt charges were up $0.1 billion, or 7.7 per cent, reflecting in part a higher average effective interest rate on the stock of Government of Canada treasury bills.

For the April to July period of 2018–19, program expenses were $95.6 billion, up $2.2 billion, or 2.3 per cent, from the same period the previous year.

- Major transfers to persons were up $0.5 billion, or 1.7 per cent. Elderly benefits increased by $0.9 billion, or 5.2 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by $0.6 billion, or 9.3 per cent, while children's benefits were up $0.3 billion, or 3.5 per cent.
- Major transfers to other levels of government were up $0.9 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up $0.8 billion, or 2.1 per cent. Within direct program expenses:

- Other transfer payments increased by $25 million, or 0.2 per cent.
- Other direct program expenses increased by $0.8 billion, or 2.8 per cent.

Public debt charges increased by $0.8 billion, or 10.3 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

Table 3
Expenses

	July			April to July		
	2017	**2018**	**Change**	**2017–18**	**2018–19**	**Change**
	($ millions)		(%)	($ millions)		(%)
Major transfers to persons						
Elderly benefits	4,208	4,452	5.8	16,612	17,476	5.2
Employment Insurance benefits	1,689	1,655	-2.0	6,643	6,028	-9.3
Children's benefits	1,833	1,886	2.9	7,728	7,996	3.5
Total	7,730	7,993	3.4	30,983	31,500	1.7
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	12,383	12,861	3.9
Canada Social Transfer	1,146	1,180	3.0	4,583	4,720	3.0
Equalization	1,521	1,580	3.9	6,084	6,319	3.9
Territorial Formula Financing	251	258	2.8	1,679	1,726	2.8
Gas Tax Fund	1,036	1,085	4.7	1,036	1,085	4.7
Home care and mental health	n/a	0	n/a	n/a	17	n/a
Other fiscal arrangements[1]	-378	-397	5.0	-1,566	-1,644	5.0
Total	6,672	6,921	3.7	24,199	25,084	3.7
Direct program expenses						
Other transfer payments	2,804	2,826	0.8	11,287	11,312	0.2

Other direct program expenses	7,100	7,138	0.5	26,905	27,670	2.8
Total direct program expenses	9,904	9,964	0.6	38,192	38,982	2.1
Total program expenses	24,306	24,878	2.4	93,374	95,566	2.3
Public debt charges	1,945	2,094	7.7	8,063	8,894	10.3
Total expenses	26,251	26,972	2.7	101,437	104,460	3.0

Note: Totals may not add due to rounding.

[1] Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; and payments to provinces in respect of common securities regulation.

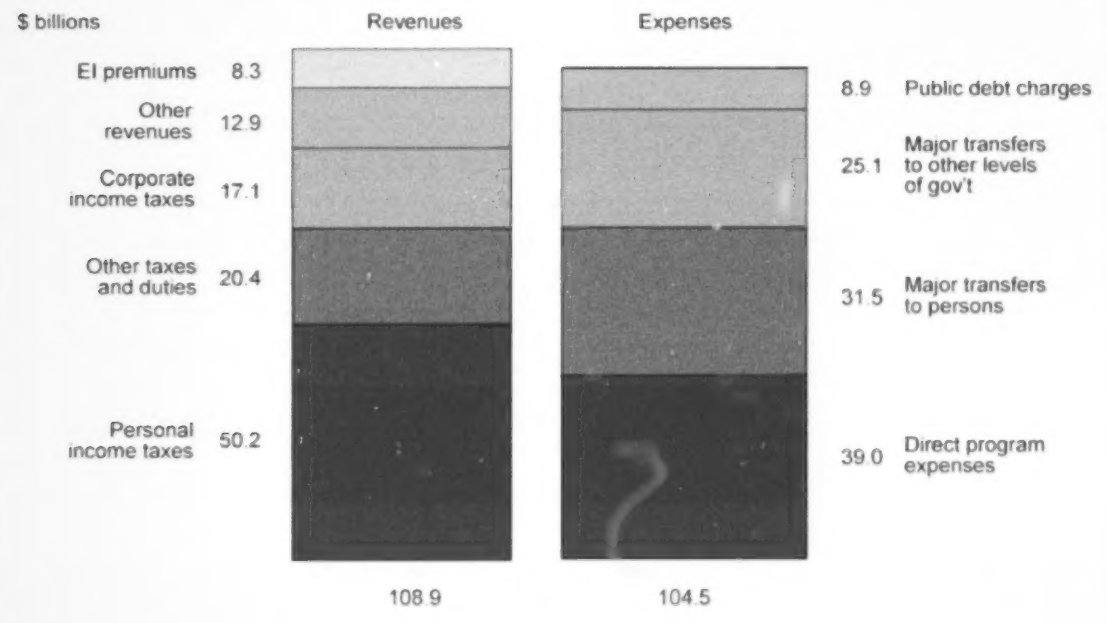
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	July			April to July		
	2017	2018	Change	2017-18	2018-19	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments	17,206	17,740	3.1	66,469	67,896	2.1
Other expenses						
Personnel	4,080	4,227	3.6	15,813	16,730	5.8
Transportation and communications	239	267	11.7	724	808	11.6
Information	15	15	0.0	52	55	5.8
Professional and special services	813	905	11.3	2,447	2,589	5.8
Rentals	266	273	2.6	1,001	1,055	5.4
Repair and maintenance	210	238	13.3	591	649	9.8
Utilities, materials and supplies	179	187	4.5	694	697	0.4
Other subsidies and expenses	886	615	-30.6	3,933	3,447	-12.4
Amortization of tangible capital assets	403	399	-1.0	1,613	1,594	-1.2
Net loss on disposal of assets	9	12	33.3	37	46	24.3
Total other expenses	7,100	7,138	0.5	26,905	27,670	2.8
Total program expenses	24,306	24,878	2.4	93,374	95,566	2.3
Public debt charges	1,945	2,094	7.7	8,063	8,894	10.3
Total expenses	26,251	26,972	2.7	101,437	104,460	3.0

Note: Totals may not add due to rounding.

Revenues and expenses (April to July 2018)



Note: Totals may not add due to rounding.

Financial requirement of $6.0 billion for April to July 2018

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $4.4 billion and a requirement of $10.4 billion from non-budgetary transactions, there was a financial requirement of $6.0 billion for the April to July 2018 period, compared to a financial requirement of $11.8 billion for the same period the previous year.

Table 5
The budgetary balance and financial source/requirement
($ millions)

	July		April to July	
	2017	**2018**	**2017–18**	**2018–19**
Budgetary balance (deficit/surplus)	-193	140	-109	4,426
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	1,246	-838	-17,673	-10,985
Pensions, other future benefits, and other liabilities	651	794	1,186	2,251
Foreign exchange accounts	3,628	697	3,568	381
Loans, investments and advances	-514	355	1,102	-2,032
Non-financial assets	-267	-233	100	-21
Total non-budgetary transactions	4,744	775	-11,717	-10,406
Financial source/requirement	4,551	915	-11,826	-5,980

Note: Totals may not add due to rounding.

Net financing activities up $12.8 billion

The Government financed this financial requirement of $6.0 billion and increased cash balances by $6.8 billion by increasing unmatured debt by $12.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July 2018 stood at $44.5 billion, up $2.8 billion from their level at the end of July 2017.

Table 6
Financial source/requirement and net financing activities
($ millions)

	July		April to July	
	2017	**2018**	**2017–18**	**2018–19**
Financial source/requirement	4,551	915	-11,826	-5,980
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	7,247	7,872	16,949	5,762
Treasury bills	-9,200	400	4,600	9,000
Retail debt	-155	-32	-230	-146
Total	-2,108	8,240	21,319	14,616
Foreign currency borrowings	-788	-444	-756	79
Total	-2,896	7,796	20,563	14,695
Cross-currency swap revaluation	-2,390	-925	-3,425	-1,292
Unamortized discounts and premiums on market debt	-220	-9	-595	-529
Obligations related to capital leases and other unmatured debt	184	-17	80	-121
Net change in financing activities	-5,322	6,845	16,623	12,753
Change in cash balance	-771	7,760	4,797	6,773
Cash balance at end of period			41,698	44,450

Note: Totals may not add due to rounding.

Notes

1. *The Fiscal Monitor* is a report on the consolidated financial results of the Government of Canada, prepared monthly by the Department of Finance Canada. The Government is committed to releasing *The Fiscal Monitor* on a timely basis in accordance with the International Monetary Fund's Special Data Dissemination Standard Plus, which is designed to promote member countries' data transparency and promote the development of sound statistical systems.
2. The financial results reported in *The Fiscal Monitor* are drawn from the accounts of Canada, which are maintained by the Receiver General and used to prepare the annual *Public Accounts of Canada*.
3. *The Fiscal Monitor* is generally prepared in accordance with the same accounting policies as used to prepare the Government's annual consolidated financial statements, which are summarized in Section 2 of Volume I of the *Public Accounts of Canada*, available through the Public Services and Procurement Canada website.
4. The financial results presented in *The Fiscal Monitor* have not been audited or reviewed by an external auditor.
5. There can be substantial volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March *Fiscal Monitor*.
6. The April to March results reported in *The Fiscal Monitor* are not the final results for the fiscal year as a whole. The final results are published in the annual *Public Accounts of Canada* and incorporate post-March end-of-year adjustments made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. Post-March adjustments may also include the accrual of measures announced in the budget that are recorded upon receipt of Royal Assent of enabling legislation.
7. Table 7, Condensed Statement of Assets and Liabilities, is included in the monthly *Fiscal Monitor* following the finalization and publication of the Government's financial results for the preceding fiscal year, typically in the fall.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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September 2018

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